

POSITION STATEMENT: VIRTUAL-ONLY AGMS

DECEMBER 2017

The Investment Association is the trade body that represents UK investment managers. Our 240 members collectively manage over £6.9 trillion on behalf of clients in the UK and around the world.

This position statement outlines the view of Investment Association members on virtual-only AGMs¹. Our members believe that virtual-only AGMs are not in the best interests of all shareholders and should not be used by investee companies, as their use could be detrimental to Board accountability. IA members are unlikely to be supportive of amendments to Articles of Association which allow for virtual-only AGMs.

BACKGROUND

Members of the Investment Association view AGMs and other shareholder meetings as fundamentally important to the exercise of their shareholder rights and as an integral component of the UK corporate governance system.

AGMs provide an important mechanism for the Board to be publically accountable to all their shareholders, both institutional and retail. At these meetings, shareholders can make statements and ask questions of the Board.

Given the large number of AGMs over a short period of time, it is often difficult for institutional investors to attend AGMs in person. However, institutional investors view the physical AGMs as invaluable opportunity to raise particular concerns with the Board in a public forum, and use this mechanism as part of their stewardship activities, in conjunction with other methods of engagement. It is often seen as a key escalation approach to make their concerns public at the AGM.

VIRTUAL AGMS

Investors are cognisant that companies are keen to make sure that their shareholder communications keep pace with developing technology, and that conducting shareholder meetings electronically is an area of particular focus.

Indeed, investors agree that using technology, such as webcasting the meeting, to complement the physical AGM could be beneficial, and could increase retail and institutional investor participation. However, investors believe that such technology should only be used in parallel with the in-person meeting, and should not lead to companies adopting a 'virtual-only' approach.

¹ While this paper predominantly refers to AGMs, the views expressed apply to any and all shareholder meetings including General Meetings.

The AGM is the only time that the Board must be publically accountable to all its shareholders. The attendance of the Board to such meetings is a demonstration of their commitment to understand the views of shareholders.



'Virtual-only' AGMs remove this accountability due to the remoteness of participants. Investors believe that the public nature of AGMs and full attendance of the Board is important to allow them to bring matters to the Board's attention. Removing this tool impairs the ability of investors to hold Boards to account on behalf of their clients.

It is harder for participants to identify the views of fellow participants in a virtual-only format, and to register agreement (or disagreement). Companies who adopt a 'virtual-only' approach may also risk giving the impression that they are attempting to filter questions or participation of shareholders and do not want to be subject to the questions of their shareholders.

EXPECTED APPROACH FROM COMPANIES

Investment Association members will not support amendments to the Articles of Association in relation to electronic meetings if they allow for virtual-only AGMs. They expect any amendments to the Articles of Association to confirm that a physical meeting will be held alongside an electronic meeting element.

The Investment Association's Institutional Voting Information Service (IVIS) will red-top any company that will have the ability to hold virtual-only AGMs following any amendments to their Articles of Association.

Updated 30 January 2018